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DATE: 3-15-2005

FROM: LARRY KEKEMPANOS

FAX: 708.424.7635

TO: BENJAMIN LAYNO

FAX: 703-872-9306

NR OF PAGES (including cover) 9

SUBJECT: INFORMATION MATERIAL TO PATENTABILITY
AND PHONE CONVERSATION RELATING
TO APPLICATION # 10/646,670

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In the United States Patent and Trademark Office

Application Number: 10/646,670
Pending Patent Number: US 2005-0040599 A1
Application Filed: August 22, 2003
Inventors: Snow, Roger
Assignee Name: Shuffle Master, Inc.
Application Title: Poker game played against multiple dealer hands
Examiner/GAU: Layno, Benjamin/3711
Class/Sub-Class: 273/292
Location: Electronic

Mailed: March 15, 2005
At: Oak Lawn Postmaster
Oak Lawn, IL 60453

INFORMATION MATERIAL TO PATENTABILITY

Mr. Benjamin Layno
Primary Examiner
Art Unit 3711
United States Patent and Trademark Office
Group Art unit 3711
Washington, DC 20231
Fax: 703-872-9306
Phone: 571-272-4424

Dear Mr. Layno:

As per our phone conversation this morning, I am sending you the information you requested and also a copy is being sent to Mr. William Pierce.

We are asking for you to review your decision of patentability for Shuffle Masters application, listed above. We believe their patent application should not issue as a patent because of our prior art.

Our patent application number 10/779,908 filed 02/17/2004, assigned to William Pierce, titled Two Card Poker, claims the benefit of provisional patent application number 60/448,669, filed 02/19/2003, which has an earlier filing date than Shuffle Masters' application. Our Two Card Poker patent applications describe and claim multiple rounds and a two card poker game, throughout the specifications.

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Their application number 10/646,670 title *Poker game played against multiple dealer hands*, attempts to claim the same concept as our patent application number 10/779,908. We have made a rigid comparison of their application, with the claims in our application, and that, in our opinion some of the claims are unquestionably infringed, and read on such device.

Both of these applications are in the same class.

We are concerned as to whether the above named parties Roger Snow and Shuffle Master Inc. associated with the filing and prosecution of their patent application number 10/646,670 have kept their duty and obligation of candor and good faith in dealing with the Office, which would include a duty to disclose to the Office all information known to that individual to be material to patentability under 37 CFR 1.56.

We believe that a prima facie case of unpatentability is established with this information and that the information compels a conclusion that their claims are unpatentable under the preponderance of evidence.

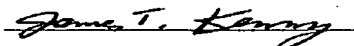
Since the applicant has knowledge of our application shouldn't they have listed my application on the list of References cited by Applicant as prior art? Particularly, since they know about it and have made an offer to purchase it for \$150,000.

A copy of their offer to purchase my application is enclosed.

Also, shouldn't the office list my application on the list of references cited by the Examiner to be used and examined as prior art, particularly since both application are in the same class and ours has an earlier filing date and should be considered prior art?

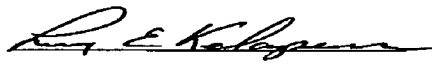
We ask that you attach this letter to the file record of Shuffle Masters application. If necessary, a formal interview summary record is requested. If you have any questions or concerns please feel free to call me, Larry Kekempanos at (708)-372-0643.

Sincerely,



JAMES T. KENNY

cc William Pierce
encs
lek



LARRY E. KEKEMPANOS

January 21, 2005

Mr. James Thomas Kenny
Mr. Larry Emmanuel Kekempanos
10444 South Keating Avenue
Oak Lawn, IL 60453

Re: 2 Card Poker

Dear Sirs:

This letter agreement (the "Agreement") will confirm the agreement reached between Mr. James Thomas Kenny and Mr. Larry Emmanuel Kekempanos (jointly and severally referred to as "Owner"), on the one hand, and Shuffle Master, Inc. ("SMI") on the other hand, with respect to the table game now known as "2 Card Poker," and certain related Assets. As used herein, the term "Game" shall mean the card table game now known as "2 Card Poker," as described in the Patent Applications (as defined below). Effective upon the full execution of this Agreement by Owner and SMI, (the "Effective Date"), the parties agree as follows:

1. Owner hereby sells, hereafter, assigns and hypothecates all right, title and interest, in the United States and throughout the world, in to and related to the Game including without limitation, all patents, patent rights, patent applications, copyrights, trademarks, trademark rights, trademark applications, game play methods, trade dress, trade names, inventions and other intellectual property, and all domestic and foreign rights and applications related thereto, and specifically including without limitation U.S. Patent application 2004/0160006 filed February 17, 2004, U.S. Patent Application 10/779,908 filed February 17, 2004, and U.S. Provisional Application 60/448,669, filed February 19, 2003 (collectively the "Patent Applications"), and any variations, improvements and enhancements thereon or thereto, or any other game except for the Shuffle Master Games (as defined below) that uses any of the Game IP (as defined herein) in any medium or form throughout the world, such as, without limitation, on tables, video, slot machines, home video games or the internet (individually and collectively the "Game IP") (collectively the Game, the Patent Applications and the Game IP are referred to herein individually and collectively as the "Assets"). The Assets shall also include, without limitation, the right to modify or change the Game, the Patent Applications, the Game IP, or the Game's name or game-play methods, and the right to lease, sell, license, sublicense, sublease, transfer, distribute, exploit and market the Game and the Game IP in all media and in all forms throughout the world.

2. In consideration for the sale of the Assets, SMI shall pay Owner the following:

- a. The sum of U.S. \$150,000 (the "Advance") in cash, payable upon the full and complete execution of this Agreement, which Advance shall be fully recoupable by

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SMI against any royalties which may become due Owner under paragraph 2(b) below; and

- b. In the event that SMI receives any Net Revenues (as defined herein), then from such Net Revenues received by SMI, and after full recoupment by SMI of the Advance, Owner shall be paid a royalty of Twenty Percent (20%) of such Net Revenues, and SMI shall retain the balance thereof. "Net Revenues" shall be defined as the actual revenues paid to and recognized by SMI (in accordance with GAAP) in connection with any licensing, leasing or sales of the Game to end-user casino customers (excluding any amounts paid to or recognized by SMI in connection with any licensing, leasing or sales of the Game in the states of Washington and New Jersey), less any taxes, rebates, discounts, credits or refunds. In no event shall Owner receive any revenues of any kind generated from placements of Games in the states of Washington or New Jersey. All revenues from the Game paid to SMI from Washington and New Jersey shall be the sole property of SMI, and Owner shall have no interest therein.
- c. Notwithstanding any provisions to the contrary contained herein, in no event shall Owner receive any revenue from the following games nor shall any of the following games be considered to be a part of the Game: i) Three Card Poker; ii) Four Card Poker; iii) 6 ½ Card Poker; iv) Crazy 4 Poker; v) Run the Gauntlet; or vi) any other table game owned or developed by SMI, whether currently existing or in development by SMI or in the future developed by SMI which either does not use any of the Game IP or which was in existence or development prior to the execution of this Agreement (collectively, the "Shuffle Master Games").
- d. Notwithstanding the foregoing, in the event that SMI is not legally allowed to share with or pay revenues to Owner in a particular jurisdiction, then SMI and Owner agree that they will work, in good faith, to amend this Agreement as to such jurisdiction in order to achieve a fair and legal resolution. Such fair resolution may include an outright purchase by SMI of Owner's expected royalty payments (discounted for present value, in the event of a lump sum payment) from such jurisdiction. Notwithstanding the foregoing, however, in the event that the parties are unable to resolve this issue in a manner that is fair and equitable to both parties, then Owner shall not be entitled to any revenues in that jurisdiction and the other terms of this Agreement shall not be affected, reduced, modified or amended in any way whatsoever. In no event shall the fact that Owner may not be legally able to share or pay revenues in a particular jurisdiction in any way affect, reduce, modify or amend any of the rights granted in this Agreement to SMI nor SMI's ownership of all right, title and interest in and to the Assets.
- e. SMI shall keep appropriate books and records of any Net Revenues received from the Game so as to determine the amounts, if any, due Owner pursuant to this Agreement. SMI shall account to and, if applicable, pay any amounts due Owner within thirty (30) days after the end of each of SMI's fiscal quarters. Owner shall have reasonable access, upon at least ten (10) days prior written notice to SMI, to examine the books and records of SMI related to the Game but no more than once in any twelve-month period. The cost of any such examination or audit by Owner shall be solely borne by

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Owner.

- f. Notwithstanding the foregoing, it is expressly agreed and acknowledged by Owner, that SMI will, concurrently with the existence of this Agreement, also be selling, licensing, leasing, marketing and exploiting other table games and other products similar to the Game that also utilizes the intellectual property of SMI and/or other third parties. Nothing contained herein shall require SMI to give any particular or special treatment or priority to the Game. Owner hereby agrees that all marketing sales and other decisions with respect to any pricing, exploitation, marketing, or distribution to the Game shall be in the sole discretion of SMI. Owner further acknowledges that the ultimate success of the Game will be determined by the marketplace and that SMI has not made and does not hereby make any representations, warranties or promises that the Game or this Agreement will generate any specific amount of Net Revenues, if any, or any amount at all of Net Revenues, or any specific number of installations. Nothing herein contained shall be a promise by SMI to make or take any specific amount of action to distribute or otherwise market the Game.

3. As of the execution hereof, each Owner, jointly and severally, hereby covenants, represents and warrants to SMI as follows:

- a. Prior to the execution hereof, Owner is the sole and exclusive owner of all right, title and interest in and to each of the Assets including, without limitation, all patents, copyrights, trademarks, game-play methods, trade dress and trade names relating to the Game and that there are no liens, claims or encumbrances on any of the Assets.
- b. Neither the Game nor any of the Game IP, nor any of the inventions disclosed therein violates or infringes upon the intellectual property rights or any other rights of any third parties.
- c. Owner is not aware of any infringements by any third parties of the Game or the Game IP.
- d. The Game IP is valid and enforceable and fully able to be patented, and none of the claims in any of the Game IP are invalid or unenforceable.
- e. Owner has the full and exclusive right, power and authority to enter into this Agreement and to perform all of its obligations set forth herein. The execution of this Agreement and the sale of the Assets to SMI will not be in conflict with, violate or constitute any default under any contract to which Owner is a party or is otherwise bound. No consent of a third party is needed in order for Owner to enter into an Agreement and to perform each of its obligations herein.
- f. After execution hereof, SMI will then be the sole and complete owner of all right, title and interest in the Assets, including without limitation, all patents, copyrights, trademarks, game-play methods, trade dress and trade names relating to the Game, including without limitation, all Game IP and all Game IP rights, to practice the Game, in all media and in all forms throughout the world, free and clear of any claims of any kind whatsoever.
- g. After execution hereof, the Owner will not: (i) develop any table game, or poker-

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related game which is in any way similar to the Game; (ii) develop or use any intellectual property which is in any way similar to the Game IP; (iii) compete with the Game; (iv) violate any of SMI's rights; or (v) take any action to derogate the rights granted herein to SMI.

- h. Each of Kenny and Kekempanos is the "sole inventor" of the Game and the Game IP, as that term is understood under applicable United States patent law.
- i. Owner has never granted or allowed any license to any of the Assets, nor agreed to any covenants not to sue or indemnifications related to any of the Assets.
- j. Each Owner, jointly and severally, hereby indemnifies and holds SMI, any end-user casinos and licensed gaming entities, and any gaming regulatory authorities, and each of its and their officers, directors, representatives, attorneys, successors and assigns harmless from and against any losses, claims, damages, costs, liabilities, judgments, penalties or expenses of any kind whatsoever, including without limitation attorney's fees, directly or indirectly arising out of any breach of any covenant, representation, warranty, obligation or agreement of Owner made in this Agreement or any claim by any third party that any aspect of the Game or the Game IP infringes the rights of any third parties.
- k. All representations and warranties of Owner shall survive for a period of five (5) years from the Effective Date, or as long as Owner is receiving any Net Revenues, whichever is longer.

4. In addition to the Assets sold herein, Owner hereby grants SMI a first right of refusal, on the terms and conditions set forth herein, on any other table game inventions or other inventions relating to the gaming industry developed or invented by Owner (a "New Gaming Idea"). Before Owner offers any rights to a New Gaming Idea to any third party or before Owner himself exploits any rights to a New Gaming Idea, Owner shall first present such New Gaming Idea to SMI. In such case, SMI and Owner shall have an exclusive period of dealing equal to sixty (60) days from which time Owner presented the New Gaming Idea to SMI in which to reach an agreement concerning the New Gaming Idea similar to the form and substance of this Agreement. If after said exclusive period of sixty (60) days, Owner and SMI have been unable to reach an agreement concerning the New Gaming Idea, then Owner shall be free to present such New Gaming Idea to third parties, provided that Owner does not offer any deal or transaction concerning such New Gaming Idea to any third party on terms which are more favorable to said third party than Owner offered to SMI. In the event that Owner offers any New Gaming Idea to a third party on terms more favorable to said third party than were previously offered to SMI, then, prior to Owner entering into any transaction with said third party or otherwise transferring or licensing of any rights concerning the New Gaming Idea to any third party, Owner shall first come back to SMI and offer SMI the same terms and conditions concerning such New Gaming Idea that had been offered to the third party, and in such case, SMI shall have an exclusive period of thirty (30) days from said offer to either accept or reject the New Gaming Idea. It is the intent of this paragraph that SMI shall have an effective and practical first right of refusal with respect to any New Gaming Idea, as well as the right to match the terms of any offer concerning a New Gaming Idea which Owner may make to a third party prior to Owner entering into any such third party transaction.

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5. Owner hereby agrees, now and in the future, to do such acts and/or execute any documents reasonably related to implement the intent of this Agreement, including without limitation, any necessary assignments of rights or any documents required by either the United States Patent and Trademark Office or any foreign patent office, or otherwise requested by SMI to assist SMI with respect to any patent application work or in connection with the rights to the Game, or the Game IP.
6. SMI shall have the right to make such alterations, adjustments and changes to the Game's name, logo, design, game-play method and related items, or to any of the Game IP, as it shall elect.
7. Due to the highly regulated nature of SMI's business, both prior to and after execution of this Agreement, SMI shall have the right to perform such due diligence on Owner as may be required by any gaming regulators in those jurisdictions where SMI possesses any licenses, or such due diligence as SMI believes it is required to conduct. Both prior to and on an ongoing basis, Owner shall fully and reasonably cooperate with SMI related to such due diligence. Notwithstanding any of the provisions contained in this Agreement to the contrary, SMI shall have the right to immediately terminate this Agreement if Owner takes any action or fails to take any action that jeopardizes any of SMI's gaming licenses, approvals or permits, or in the event that SMI's relationship with Owner in any way jeopardizes or puts at risk any of SMI's gaming licenses, approvals or permits.
8. This Agreement shall be binding on each of Owner's and SMI's heirs, successors and assigns. SMI shall also have the right to assign any of its rights or obligations hereunder to any affiliate or successor entity.
9. In no event shall Owner be deemed the agent of SMI or SMI the agent of Owner. In no event shall Owner be deemed an employee of SMI for any purposes. In no event shall either Owner or SMI be deemed the partner, beneficiary, fiduciary or joint venturer of the other, and it is the intent of the parties that this Agreement be interpreted consistent with the foregoing. Neither party shall have any right to bind the other, nor shall either party represent to any third party anything to the contrary.
10. This Agreement contains the complete and entire expression of the agreement between the parties and supercedes any prior and contemporaneous discussions, negotiations or understandings between the parties. Each of SMI and Owner hereby agree and acknowledge there are no agreements or understandings of any nature, oral or written, regarding the same apart from those contained in writing in this Agreement, and Owner agrees and acknowledges that no promises or agreements not contained in writing in this Agreement have been made or offered by SMI.
11. Any notices to either party shall be sent to the addresses of each party noted herein.
12. This Agreement shall be governed in accordance with the laws of the state of Nevada. In the event of any dispute between the parties, the parties agree and consent to the exclusive jurisdiction of an appropriate state or federal court located within the state of Nevada to resolve

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any such dispute.

13. It is contemplated that the parties may, at a future date, execute a more formal written agreement, which written agreement shall contain such necessary, customary and normal terms that are typical in agreements of this kind, but in all events, consistent with the terms of this Agreement. Until such time, if ever, that a more formal written agreement is fully executed by both parties, this Agreement, when fully executed, shall be a binding and legal obligation of the parties hereto, and shall be and remain in full force and effect according to its terms.

Very Truly Yours,

Jerry Smith
Senior Vice President and General Counsel
JS:csc

Read, Agreed To and Accepted:

James Thomas Kenny

Read, Agreed To and Accepted:

SHUFFLE MASTER, INC.
("SMT")

By: _____

Date: _____

By: _____

Date: _____

Read, Agreed To and Accepted:

Larry Emmanuel Kekempanos

By: _____

Date: _____